

Consultation Response

Environmental incentives to support sustainable new homes

DRAFT

Introduction

Barratt Developments is the UK's largest house builder. In our last financial year, we built 17,206 homes across England, Scotland and Wales, and we have built more than 500,000 new homes since we started in 1958. We are the country's leading house builder for both quality, having been rated 5 Star in the HBF Customer Satisfaction Survey for 14 consecutive years, and sustainability, being the first UK housebuilder to set science-based targets for carbon reduction. We have approximately 6,000 direct employees from a broad range of disciplines and operate from 29 divisions across the country, meaning we have the experience and expertise to manage housing and mixed-use projects of all sizes from start to finish.

Consultation Response

Name	[REDACTED]
Position	Group Head of Infrastructure and Utilities
Organisation	Barratt Developments PLC
Address	Wilson Bowden House, Forest Business Park, Bardon Hill Leicestershire LE67 1UB
Email Address	[REDACTED]
Telephone Number	[REDACTED]
Applying the consultation response as	Housing Developer

Q1: Do you agree with our proposed aim for environmental incentives?

Yes – We agree that environmental incentives could result in greater water efficiency and/or more sustainable drainage across new developments.

Q2: Do you have any comments on the characteristics of good environmental incentives?

We would agree that environmental incentives should satisfy a set of standardised characteristics to be effective, and to achieve consistency in the incentives offered by Water Companies across the industry.

We would suggest that in addition to those proposed in Figure 2, good environmental incentives should support a long-term strategy for adoption and maintenance of water reuse systems.

This would ensure a larger uptake of these incentives across the sector and result in more sustainable homes.

Q3: Do you have any comments on the extent to which any environmental incentives could or should be adapted for implementation in Wales?

Environmental incentives should be implemented in Wales. There are no current incentives in Wales relating to improved water efficiency.

Q4: Do you have any comments on the case studies outlined?

Yes.

As noted in the response for Q2, it is imperative that the environmental incentives offered by Water Companies consider the long-term strategies for adoption and maintenance of water reuse technologies. We would argue that a process for adoption and maintenance would increase the number of applications beyond Tier One discussed in the Thames Water case study, and would incentivise more sustainable homes.

Additionally, there must be agreed minimum requirements for water reuse technologies, including (but not limited to) accreditations, standards and compliance with the Part G Calculator. Setting minimum standards would increase the number of approved applications beyond Tier One.

We would like to highlight that without the option of income offset, the installation of water reuse technologies can incur large upfront costs to the Developer. This should be considered in agreeing a clear and transparent process for paying environmental incentives.

Importantly, any perceived impacts to the customer in applying the incentives discussed within the case studies should be analysed. This should include health and safety risks, changes to customer behaviour and adaptations to house designs required to incorporate the proposed technologies. It should be ensured that customers do not end up with sub-standard products just to meet the criteria set out by environmental incentives.

We would agree that audits ensure compliance with the requirements of the incentives. However, to improve the 37% pass rate discussed in the United Utilities case study, Water Companies should provide transparent guidance and standards. With this in mind, the 'second strike' approach does not seem appropriate and the 12-month application ban could limit opportunities for water saving on schemes that fall within that period.

In reference to Ofwat’s proposed characteristics for ‘supporting innovation’, we would agree that bespoke incentives (for innovations such as smart water butts and cistern technologies) should sit alongside a standardised tiered approach.

Q5: Do you have any comments on our proposed standardised incentive tiers?

A standardised tiered approach seems appropriate in ensuring a fair, transparent and consistent approach towards water efficiency and / or more sustainable drainage across new developments.

We would support that the incentives align with the proposed standards set out in DEFRA’s Environmental Improvement Plan (EIP) 2023.

We agree that the incentive payment should broadly reflect the benefits to the water company, wider society and the environment for achieving the standard. Each standardised incentive should be of a minimum value that is specified under Ofwat’s common framework.

Q6: Do you have any comments on our proposal for a common methodology/technical standards to assess water efficiency?

We support that the methodology for meeting water efficiency standards should be set out in the common framework, and should be consistent with established methodologies and guidance such as the Building Regulations.

We understand that the proposed methodology would be more analogous to the existing Building Regulations Part G2 Fittings Approach, which aligns with the actions set out in DEFRA’s EIP. However, we believe that to increase current incentive applications (in reference to the case studies), there needs to be a transitional period whereby discounts apply when water efficiency is achieved using the calculations approach.

Q7: Do you have any comments on the details of our proposal for companies to offer bespoke incentives?

We agree that the overall aim of bespoke incentives should be to support innovation.

There should also be scope for water companies and developers to collaborate on bespoke innovations and approaches to water efficiency, to which incentive payments would also apply. It is important that standardised incentive tiers do not create rigidity.

Q8: Do you have any comments on the potential for reputational incentives?

A reputational element to recognise a developer’s effort towards improving sustainability is supported.

Importantly, customer education and support should underpin the proposed reputational incentives, and their behaviours and flexibility to the changes should form part of the overall labelling criteria and success of the scheme.

Q9: We seek views on how the process for agreeing and paying environmental incentives might be best organised in practice, and whether this is consistent with existing developer services processes.

It is imperative that the process for agreeing and paying the environmental incentives is clear, transparent and consistent with current developer service processes.

We recommend that the incentives are funded as a component of the infrastructure charge. See our response in Q11.

<p>Currently, the process of applying discounts begins by submitting evidence for the associated water saving (e.g., reduction in l/p/d) to the applicable water company. If the evidence is approved, the payment for the incentive is received.</p>
<p>Q10: Do you have any comments on how high levels of compliance with the incentive technical standards might best be achieved?</p>
<p>Setting minimum requirements will ensure a consistent approach in relation to the incentives' technical standards. Having clear requirements to achieve a consistent standard should allow for audit processes to be simplified and more successful.</p>
<p>Q11: Do you have any views on whether environmental incentives are best funded as an environmental component of the infrastructure charge or as a separate charge?</p>
<p>As noted in Q9, we recommend that the incentives are funded as a component of the infrastructure charge. We believe that this should be consistent across all water companies.</p>
<p>Q12: Do you have any comments on our proposal for guidance issued under the charging rules and how they are developed and maintained?</p>
<p>A centralised document for environmental incentives and charging rules is supported. This approach would be consistent with the previous inclusion of income offset within the water companies charging arrangements.</p> <p>Technical guidance, including the minimum requirements for water reuse systems should be included within the charging rules. This should include details of accreditations for water reuse systems, associated British Standards and reference to the Building Regulations. Refer to our response in Q4.</p>
<p>Q13: Do you have any comments on our approach for managing interactions with the regulatory framework?</p>
<p>Yes – please refer to Q6.</p>

Summary

We trust that you find our submission helpful and constructive. In the event that you may have any follow-up questions please do not hesitate to contact the respondent. Please be reassured that we are committed in supporting key policy targets on a national scale, however it is also important to fully consider the complexities and challenges with doing so.

██████████ – Group Head of Infrastructure and Utilities
Barratt Developments PLC